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G. Michael Crumling
Executive Director-
Federal Regulatory

U S WEST

Ex Parte

August 16, 1993

92-77

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Stop Code 1170
Washington, D.C. 20554

Dear Mr. Caton:

The attached document was provided today to Mark Nadel of the Common Carrier Bureau's Policy and Program Planning Division by U S WEST.

Pursuant to Section 1.1206(a)(1) of the Commission's rules, an original and two copies of this notification are attached. Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions.

Sincerely,

M. Crumling /sw

cc: Mark Nadel
Gary Phillips

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List A B C D E

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Mr. Mark Nadel
Policy and Program Planning Division
Federal Communications Commission
1919 M Street, N.W., Room 544
Washington, D.C. 20554

RE: CC Docket 92-77

Dear Mr. Nadel:

Per your request, Attachment A contains updated estimates of the cost of implementing and supporting Billed Party Preference (BPP) for all 0+ traffic. Please note that these estimates are based on numerous assumptions about the capabilities and operation of BPP that may or may not be included in the product, depending on what the Commission ultimately orders. Furthermore, the actual cost of some of the still to be developed software and hardware, as determined by the vendors based on ultimate expected demand, could vary substantially from the estimates provided herein.

The costs now include loadings for administrative fees. Recurring costs are disaggregated and include costs such as repair, maintenance, return and taxes, depreciation, and amortization. Implementation expenses are amortized over five years per your suggestion. As stated before we believe these costs should be spread over all interstate traffic not just 0+ calls. If the cost is applied only to 0+ calls there will be incentive for interexchange carriers to promote 10XXX. AT&T already has a campaign to accomplish that. Furthermore, access provided by Competitive Access Providers (CAPS) would not be burdened by such charges unless they also were required to implement BPP.

You also requested an estimate of the 0+ volumes for 1996. We have looked at past data and have determined that total toll traffic in our region is approximately 2.5 times our intrastate toll traffic. This would mean that the same relationship applies to 0+ calling. We estimate the mid 1992 to mid 1993 total 0+ traffic to be 316 million calls. U S WEST 0+ calling for

90-93 was approximately 6% less than 91-92. We have no way of determining whether such a trend applies as well to total 0+ calling. Therefore, we cannot determine whether total 0+ calling would increase or decrease and cannot forecast what it might be in 1996.

You also asked for estimates of our payphone growth. Attachment B, prepared by our public payphone market unit, supports our 2% projections. 1993 data is a bit higher than all the previous years. However, the private payphone volumes are determined by counting public access lines which typically have a charge slightly higher than business lines. It is impossible to determine how much of the increase in the private payphone numbers is the result of payphone owners switching their service from business lines to PALS in order to obtain the $6.00 per month remuneration ordered by the Commission in Docket 91-35.

Should you have any further questions regarding billed party preference, please contact me.

Sincerely,

M. Crumling/sc

Attachments

cc: Gary Phillips

BILLED PARTY PREFERENCE: ESTIMATE OF COSTS FOR FIRST YEAR

NONRECURRING CAPITAL AND EXPENSES	TOTAL CAPITAL	TOTAL EXPENSE	
End Office Implementation			
Software Feature Package		$68,000,000	
OSS7 Capability		$7,500,000	
AABS Upgrades	$7,500,000	$17,800,000	
Trunks	$15,260,345	$1,333,780	
LIDB Upgrades	$3,600,000	$2,700,000	
Administration/Billing		$2,220,000	
Operator Services Centers	$13,100,000		
Total Nonrecurring	$39,460,345	$99,553,780	
TOTAL	**$39,460,345**	**$110,467,830**	*Note 1*

RECURRING EXPENSES	TOTAL EXPENSE
Repair and Maintenance	$4,265,074
Operator Salaries	$23,555,710
Administration and Business Fees	$624,367
Return and Taxes	$14,744,049
Depreciation	$1,920,160
Amoritization of Expenses *(For five years)*	$22,093,566
TOTAL RECURRING *(Based on weighted average economic life for digital switches)*	**$67,202,926**

Note 1: This total includes directly assignable administrative fees, as a percentage of direct expense, and business fees.

Attachment B

The attached data and graph responds to APCC's contention that U S WEST's reply comments in Docket No. 92-77 regarding pre- and post-competition payphone growth rates is inconsistent with general national payphone growth rates calculated by them. U S WEST had commented that total payphone growth rates were an average of 2% per year for immediate years prior to competition, and that the average remained at 2% for all years since payphone competition emerged in 1984. APCC contends it's national data shows total payphone growth pre-competition was 1.3%, rather than our higher 2%; and, that total payphone growth rate postcompetition has conservatively averaged 3% (more likely 5%), compared to our lower 2%. The APCC is trying to make a point that private payphone competiton has contributed substantial public benefit by significantly increasing payphone availability. Our data does not support this.

U S WEST's comments were to argue that, at least in U S WEST's territory (the only region for which we have data), private payphones only effectively displace or supplant our payphones, and did not add to the total availability of payphones to the general public based on prevs. post-competition period trends. U S WEST stands behind it's data.

Indeed, as reflected by specific post-competition payphone numbers, updated to include 1992 and 1993 (projected to end-of-year) actuals, total payphone growth has continued to average 2.1% annually. And, that includes 1993 which reflects a significant upward trend departure from previous years. So far, 1993 is producing a 4.1% total payphone growth... due to a combination of an increase in private payphone growth, as well as U S WEST flattening it's negative growth trend.

U S WEST does not believe this 1993 trend change reinforces the APCC's implications that IPPs' are competitively disadvantaged in any way, or that payphone competition has substantially increased the total numbers of payphones in the marketplace. Rather, the Company believes this is the result of it's territory's comparatively strong economy, as reflected in it's overall strong exchange access line growth (all types... residence, business, payphones, etc.) as reported in it's recent shareowner reports. As the attached data and graph clearly show, IPPs' in U S WEST territory continue to show strong market penetration. IPP market share projects out to a 25% location market share end-of-year 1993. At the time U S WEST commented during the original Billed Party Preference proceeding, IPP market share was 20%. So, clearly, in a short period of time IPP market share continues to grow. Indeed, IPP trend growth has increased in 1992 and 1993; not flattened as the APCC asserts.

U S WEST can only speculate on the merits of APCC's numbers. First, they appear to come from some combination of sources, any or all of which could be flawed. It is not evident whether the numbers are on the same basis as U S WEST's (e.g., all inclusive of all types of LEC payphones... Public Coin; Semi-public Coin; Coinless, etc). U S WEST's numbers are all-inclusive, as all classes of payphones are competitive. We

have seen industry data presented in the past that has only included certain classes of payphones, notably Public Coin, presumably on the basis that only Public Coin payphones are competitive. U S WEST disagrees with this notion.

The APCC also contends in their Ex Parte that "... FCC statistical data for the years 1988 to 1991, a period when the reporting parameters appear to have been relatively constant, indicate an annual growth rate of about 1.5% in LEC payphones alone (emphasis added)... This suggests that competition has not significantly caused any net displacement of LEC payphones, and has actually stimulated a LEC competitive response that has even increased somewhat the rate of growth of the LECs' own installed base of payphones." Attached is a graphic portrayal of total U S WEST territory payphones - U S WEST's compared to private. This graph clearly contradicts the APCC's statement. During this period, only in 1989 did U S WEST's payphone base increase over the previous year, and then only marginally. Indeed, U S WEST total payphones declined an average of 1.6% through the period 1986 through 1992, in spite of the single year gain in 1989. U S WEST's graph speaks for itself, and clearly contradicts the APCC's contentions.

Clearly a sizable number of private payphone competitors' gains have been U S WEST displacements, as reflected by the negative trend of the Company's payphone base. U S WEST also argues that many payphones that the APCC contends are "new locations" would have been occupied by U S WEST in the absence of competition. U S WEST competed and lost in many of those "new locations". U S WEST also spends less resources pursuing "new locations" in this competitive environment than it could in the pre-competition era because resources have had to be diverted from finding new locations to defending the existing base. This leaves potential new locations open to inviting IPP overtures that U S WEST would have filled in a pre-competition era. U S WEST believes the combination of these circumstances, coupled with the common 2% total payphone growth trend both pre- and post-competition clearly refute APCC contentions.

The APCC also states that most private payphone growth took place in the period 1985-90, and, that they believe the growth in independent payphones has flattened in recent years, in part due to the explosion in dial-around calling, which has substantially reduced the economic prospects of the IPP industry. Again, U S WEST's data defeats that assertion. Indeed, the graph reflects strong and consistent IPP growth in U S WEST territory... in fact, curving stronger in the most recent two years.

U S WEST believes the faults in comparing U S WEST data with the APCC's must lie with the APCC's data and calculations. The APCC acknowledges "discontinuities" in reporting methodologies between 1969-82; 1984-87; and 1988-91. U S WEST can't understand how the APCC can draw any conclusions from their data, much less the conclusions they espouse, if the data contains a number of discontinuities which the APCC admits. To collect data from only 15 state commissions - less than a third of the total - and then simply assume they represent the remaining 33 states (without a statistically valid methodology of weighting/expanding the data over the universe) is

highly suspect. The APCC did not explain or illustrate the methodology they applied, so specific comments cannot be made.

In conclusion, while U S WEST admits it cannot give evidence to any payphone growth rate data from beyond it's own territory, it can state that the APCC's data on a universal basis is contradictory with U S WEST's on a regional basis.
U S WEST can think of nothing on a logical basis that would help reconcile the APCC's data with U S WEST's. Nor can the Company think of any logical reason why it's data representing pre- and post-competitive market share trends be substantially different than the histories of the other RBOC's. U S WEST can only conclude that fault(s) must lie in the APCC's data and/or methodologies, which, by their admission, contains "discontinuities".

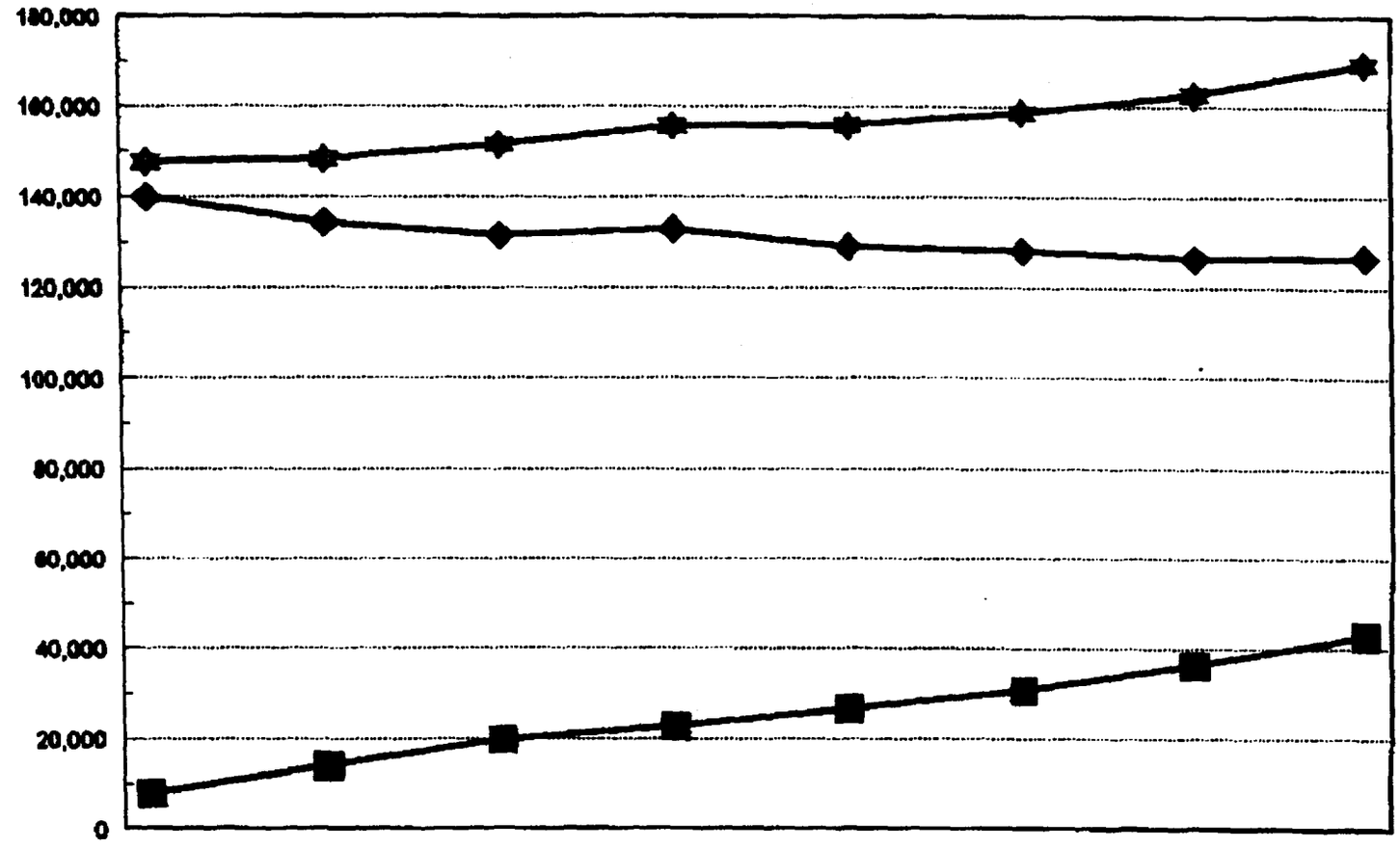
Signed: G.B. (Gary) Fletcher

July 29, 1993

YEAR	USWC PAYPHONES	PRIVATE PAYPHONES	TOTAL PAYPHONES	ANN'L GROWTH	AVG ANN'L GROWTH
1986	140000	7800	147800		
1987	134400	14000	148400	0.4%	
1988	131700	19800	151500	2.1%	
1989	132900	22800	155700	2.8%	
1990	129200	26700	155900	0.1%	
1991	128100	30700	158800	1.9%	
1992	126400	36400	162800	2.5%	1.7%
1993 est	126700	42800	169500	4.1%	2.1%

PAYPHONE COMPETITION

Market Shares



	96	97	98	99	00	01	02	03 exp est
PRIVATE PAYPHONES	7,800	14,000	19,800	22,769	26,659	30,664	36,359	42,758
LIBW/CPS PAYPHONES	140,000	134,400	131,700	132,897	129,147	128,118	126,426	126,654
TOTAL PAYPHONES	147,800	148,400	151,500	155,666	155,806	158,782	162,785	169,412

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